

Message Text

LIMITED OFFICIAL USE

PAGE 01 LIMA 03443 022152Z

64

ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 COME-00 OPIC-12 L-03 H-03

CIAE-00 INR-10 NSAE-00 RSC-01 DRC-01 /058 W

----- 012957

R 022013Z MAY 74

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 9923

LIMITED OFFICIAL USE LIMA 3443

E.O. 11652: N/A

TAGS: EIND, PE

SUBJECT: CHRYSLTER REPORTS IMPROVEMENT IN OUTLOOK

1. SUMMARY: LOCAL CHRYSLER CORPORATION REPRESENTATIVE HAS INFORMED AMBASSADOR OF SEVERAL RECENT DEVELOPMENTS WHICH CHRYSLTER BELIEVES MAY FAVORABLY AFFECT THE FUTURE OF THE COMPANY IN PERU. CHRYSLER HAS BEEN ABLE TO SELL PART OF COMPANY TO TWO WELL-PLACED PERUVIAN BUSINESSMEN, THUS MEETING GOP DEADLINE FOR 15 PERCENT PERUVIANIZATION WITHOUT INVOLVING INDUSTRIAL COMMUNITY. FURTHER, THE FIRM'S 1975 PRODUCTION SCHEDULE HAS ALREADY BEEN APPROVED, FAR EARLIER THAN MINISTRY OF INDUSTRIES HAS NORMALLY BEEN WILLING TO ACT. FINALLY, INDUMILPERU (A PERUVIAN ARMY DEPENDENCY) HAS EXPRESSED INTEREST IN JOINT VENTURE PRODUCTION WITH CHRYSLER OF JEEP-TYPE VEHICLES. CHRYSLER SENSES A FUNDAMENTAL CHANGE IN GOP ATTITUDE TOWARD IT AND VIEWS THE FUTURE WITH CONSIDERABLY LESS PESSIMISM THAN IN RECENT PAST. END SUMMARY.

2. PERUVIANIZATION: CHRYSLER HAS INCREASED ITS CAPITALIZATION FROM 99 TO 119 MILLION SOLES, THE 20 MILLION SOLES ADDITIONAL HAVING BEEN SOLD TO TWO HIGHLY REGARDED PERUVIAN BUSINESSMEN WELL-CONNECTED WITH THE GOVERNMENT. THIS ENABLE CHRYSLER TO MEET MAY 30 DEADLINE BY WHICH ALL FOREIGN FIRMS MUST HAVE AT LEAST 15 PERCENT PERUVIAN OWNERSHIP. MOVE ALSO ELIMINATES ANY NEED FOR CHRYSLER TO TRANSFER PART OWNERSHIP TO ITS INDUSTRIAL COMMUNITY, A STEP IT HAS TO FAR BEEN SUCCESSFULLY ABLE TO

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LIMA 03443 022152Z

AVOID.

3. ASSEMBLY PROGRAM: IN SURPRISE MOVE, MINISTRY OF INDUSTRY LAST WEEK APPROVED CHRYSLER'S 1975 ASSEMBLY PROGRAM FOR 10,680 VEHICLES. HERETOFORE, SCHEDULES HAVE NOT NORMALLY BEEN APPROVED UNTIL TWO OR THREE MONTHS INTO THE PRODUCTION YEAR. CHRYSLER WAS FURTHER GRANTED EXTENSION TO FIVE YEARS FOR GOP-REQUIRED PHASE-OUT OF THE HILLMAN, CHRYSLER'S SMALL CAR ENTRANT IN PERUVIAN MARKET, WHICH RECENTLY LOST OUT TO TOYOTA. FIVE YEARS WILL PERMIT HILLMAN TO RETAIN Foothold IN MARKET, READY TO MOVE IN ON LARGE SCALE IF TOYOTA (AS CHRYSLER BELIEVES) IS UNABLE TO DELIVER ON THE GRANDIOSE PROGRAM IT RECENTLY PERSUADED GOP TO APPROVE.

4. JOINT PRODUCTION WITH ARMY: CHRYSLER BELIEVES CLIMATE NOW IMPROVED FOR COOPERATION WITH INDUMILPERU, A NEW ORGANIZATION FORMED BY ARMY TO MANUFACTURE MILITARY-RELATED PRODUCTS WHICH ARMY HOPES WILL SERVE IT AS INDEPENDENT SOURCE OF INCOME (NAVY AND AIR FORCE ALREADY HAVE SUCH INCOME SOURCES IN SHIPBUILDING AND AIR TRANSPORT, RESPECTIVELY). GENERAL ELESPURU, ARMY DIRECTOR GENERAL FOR ECONOMY AND EXECUTIVE PRESIDENT OF INDUMILPERU, HAS EXPRESSED INTEREST IN JOINT VENTURE WITH CHRYSLER TO PRODUCE JEEP-TYPE VEHICLE. CHRYSLER BELIEVES THIS MIGHT IMPROVE CHANCE FOR FURTHER CONVERSION OF COMPANY INTO JOINT CHRYSLER/PERUVIAN/INDUMILPERU CORPORATION, WHICH THE COMPANY FEELS WOULD AFFORD IT BEST CHANCE OF SECURING ITS POSITION IN PERUVIAN MARKET. (MERCEDES OF ARGENTINA APPEARS TO HAVE THE INSIDE TRACK ALTHOUGH BOTH ELESPURU AND ARMY CHIEF OF STAFF MORALES BERMUDEZ ARE SAID TO LEAN TOWARD CHRYSLER.)

5. CHRYSLER REPRESENTATIVE RELATED MUCH TO FOREGOING TO ATTITUDE TOWARD CHRYSLER OF MINISTER OF INDUSTRIES JIMENEZ DE LUCIO, WHICH HAS RECENTLY BECOME MARKEDLY MORE FAVORABLE. HE ATTRIBUTES THIS CHANGE TO MAJOR CHRYSLER PARTICIPATION IN SALE OF ARGENTINE-MANUFACTURED VEHICLES TO CUBA AS WELL AS TO CHRYSLER COMPLIANCE WITH PERUVIANIZATION REQUIREMENTS OF GOP INDUSTRY LAW. COMMITMENT BY CHRYSLER TO HELP IN EXPORT OF PERKINS ENGINES TO BE MANUFACTURED IN PERU HAS ALSO PROBABLY PLAYED A ROLE.

6. COMMENTING IN GENERAL ON PERUVIAN AUTOMOBILE INDUSTRY, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 LIMA 03443 022152Z

REPRESENTATIVE SAID HE BELIEVED ONLY CHRYSLER, VOLVO AND TOYOTA WILL EVENTUALLY REMAIN IN PRODUCTION. NISSAN WILL PHASE OUT ITS OPERATION BY THE END OF JUNE AND MOVE OPERATIONS TO CHILE, WHILE VOLKSWAGEN WILL PHASE OUT IN THE NEXT TWO TO THREE YEARS. CHRYSLER CONTINUES TO BELIEVE THAT ANDEAN PACT SECTORAL PLAN FOR AUTOMOTIVE INDUSTRY WILL PROBABLY PROVE UNACCEPTABLE TO MEMBER COUNTRIES, IN PARTICULAR VENEZUELA AND COLOMBIA. IF A PLAN DOES EVENTUALLY EMERGE, COMPANY BELIEVES IT WILL BE SO

WATERED DOWN AS TO PRESENT CHRYSLER WITH CONSIDERABLY FEWER PROBLEMS.

7. COMMENT: THESE DEVELOPMENTS REPRESENT A CONSIDERABLE IMPROVEMENT IN THE OUTLOOK FOR CHRYSLER, WHICH AT ONE POINT WAS THOUGHT SUFFICIENTLY DISMAL TO PROMPT THE COMPANY TO CONSIDER CLOSING ITS OPERATION.

DEAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AUTOMOTIVE INDUSTRY, SALES, BUSINESSMEN, PRODUCTION, NATIONALIZATION, JOINT VENTURES, JEEPS, BUSINESS FIRMS, GROUND VEHICLES, BUSINESS REPUTATION
Control Number: n/a
Copy: SINGLE
Draft Date: 02 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974LIMA03443
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740106-0084
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740580/aaaactvg.tel
Line Count: 123
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 19 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 SEP 2002 by rowelle0>; APPROVED <10 JAN 2003 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHRYSLTER REPORTS IMPROVEMENT IN OUTLOOK
TAGS: EIND, PE, CHRYSLER CORPORATION
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005